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TRADE AND DEVELOPMENT

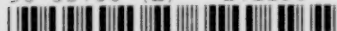
Letter dated 20 November 1996 from the Permanent
Representative of Zimbabwe to the United Nations
addressed to the Secretary-General

I have the honour to submit herewith a joint communiqué on "The Current International Trading System and Prospects for the Promotion of Trade Among Developing Countries"*, which was released at the Sixth Summit Level of Developing Countries of the Group of Fifteen held at Harare from 3 to 5 November 1996.

I wish to request that this letter and its annex be circulated as documents of the General Assembly under agenda item 94 (c).

(Signed) Machivenyika T. MAPURANGA
Ambassador and Permanent Representative

* The attachment is circulated in the language of submission only.



ANNEX

THE SUMMIT LEVEL GROUP OF DEVELOPING COUNTRIES

GROUP OF FIFTEEN

JOINT COMMUNIQUE

**THE CURRENT INTERNATIONAL TRADING SYSTEM AND
PROSPECTS FOR THE PROMOTION OF TRADE
AMONG DEVELOPING COUNTRIES**



JOINT COMMUNIQUE

We, the Heads of State and Government of the Summit Level Group for South-South Consultation and Cooperation - the Group of Fifteen have met in Harare, Zimbabwe, from 3-5 November 1996 for our Sixth Summit, devoted to a review of the international economic situation and cooperation among developing countries. Following comprehensive and in-depth discussions, we have arrived at the following conclusions:

A. OVERVIEW

1. World economic growth continues to be driven by a rapidly growing international trade and investment flows compared to world output. The economies of all States are increasingly geared to such flows and the interdependence derived from them accentuates the need for a positive integration of all countries into the global economic system. The prospects for spreading growth across countries and regions largely depends upon greater participation of developing countries in current flows of trade and investment.
2. While potentially creating prospects for trade and investment expansion and growth, the current trends of globalisation and liberalisation have a variable impact on economies depending on their degree of development and their ability to adapt to the increased dynamism of the global market. The uneven impact of globalisation and liberalisation is further compounded by new challenges to our countries confronted with increasing competition and issues of access to markets, capital and new technologies.
3. The current discussion on development is increasingly sidelining its external dimension. Development can only take place in a supportive international economic environment in which major industrial countries shoulder a special responsibility. They should coordinate a strategy of economic expansion to raise demand, accelerate and stabilise world growth, undertake significant policy adjustments, promote sustained and substantial flows of Official Development Assistance (ODA), and promote a system of financial cooperation capable of preventing the emergence of serious financial crises and reducing the level of financial volatility.
4. In the area of trade, we have welcomed the Uruguay Round results and the World Trade Organisation (WTO) system as a milestone towards liberalisation and reinforcing multilateralism and avoiding unilateral actions. Liberalisation has accelerated the growth of international trade and consequently, improved the prospects for economic growth. At the same time, for some developing countries rapid trade liberalisation has caused short-term difficulties and the risk of marginalisation.
5. In the area of investment, new phenomena related to the rapid transfer of volatile capital require examination by the international community. In this regard, volatility of capital demands urgent decisions on the need for stronger action and greater coordination on monetary and financial issues in order to deal with emergency situations that threaten the prospects of sustainable development of developing countries as well as the effective functioning of financial institutions.

6. Although the development process has been uneven and geographically concentrated in limited areas and nations, in recent years the contribution of developing countries to the growth and the inter-dependence of the global economy and trade has been far in excess of their relative economic weight. They now account for a substantial share of the additional external demand and therefore constitute a significant growth factor for international trade and the world economy. Developing countries today are at the forefront of trade liberalisation and have telescoped this process into a much shorter timeframe compared to liberalisation by other countries over the past few decades.
7. There has been a notable upsurge in the growth of intra-regional trade, including subregional trade among developing countries. The trend has however been unevenly spread, with the most dynamic increases in Asia and Latin America. Africa has witnessed only marginal growth of intra-regional trade. The emergence of dynamic growth points within the developing world offers unexplored potentials for increased trade among these countries and regions.
8. Among developing countries there are many, particularly the least developed and weakest, who continue to face a bleak future due to structural impediments. International cooperation is vital to assist these countries to overcome poverty and marginalisation and dependence on primary commodities, indebtedness, economic stagnation and lack of investment resources.
9. We welcome the consensus reached at the Ninth Session of the United Nations Conference on Trade and Development (UNCTAD IX) on the challenges and opportunities arising from globalisation and liberalisation and on the partnership for development reaffirmed in the impetus given by the Midrand Declaration to the "solidarity in action" that should guide international cooperation on these issues. For globalisation to be meaningful and beneficial to developing countries it must be facilitated by the international community, since the full integration of developing countries into the world economic system constitutes the very essence of the phenomenon of globalisation.

B. INTERNATIONAL TRADING SYSTEM: OPPORTUNITIES AND CHALLENGES

10. Trade, investment and technology continue to be key elements to economic development and are the main driving forces behind increasing interdependence and the emergence of a global market. Increased access of products and services of developing countries to global markets would have an important effect on individual welfare and development of their economies.
11. Developing countries looked to the successful conclusion of the Uruguay Round so that the international community seizes the unprecedented opportunity it has to build an equitable, secure and rule-based trading system, and that it would open opportunities for the beneficial integration of developing countries into the international trading system and world economy. The WTO that has emerged from the Uruguay Round is comprehensive in its coverage of the Marrakech Agreements. It also incorporates a multilateral disputes settlement mechanism which can safeguard the rights of developing countries.

12. A diversity of other challenges still abound: In a number of crucial areas, the negotiated results of the Uruguay Round fell short of the expectations of developing countries and they have yet to realise the expected welfare increase and better market access. In a number of developing countries the outcome of macro-economic reforms and liberalisation initiatives linked to the Uruguay Round remained unpredictable due to questions over their compatibility with development needs and interests and their sustainability.
13. Furthermore, the implementation of the Uruguay Round in areas of export interest to developing countries has been inadequate and tardy. Trading opportunities of developing countries are being neutralised through the use of protectionist measures including those taken unilaterally and in the guise of environmental, social or quality related concerns. This situation needs to be remedied. In respect of sectors and areas of trade in goods and services where developing countries have a comparative advantage, there is need for further liberalisation and increased market access for exports of developing countries. Also there is a real risk that some developing countries, particularly the least developed among them, will be further marginalised unless assistance is provided by the international community.
14. The current trading system is characterised by an unbalanced international trade growth. It is also characterised by a new commercial geography with the coming into the international trading scene by some developing countries. A small but dynamic number of trading nations, are seemingly achieving the breakthrough from the traditional circle of developing countries. This is a positive development that holds valuable experience and motivation for other developing countries. Developing countries have already taken and should endeavour to continue to pursue measures aimed at trade liberalisation and increased participation in international trade including the reduction and consolidation of low tariffs, the elimination of quantitative restrictions, and the removal of administrative, import and other trade impediments. Trade liberalisation measures adopted by some developing countries have not yet resulted in their increased participation in international trade. Greater international cooperation should be exerted to that end.
15. To benefit fully from the multilateral trading system, developing countries should enhance their capacities of utilising all the trading opportunities created by the Uruguay Round. Export conditions for developing countries goods and services will be enhanced by the trade liberalisation process triggered by the Uruguay Round, including the staged reductions of industrial tariffs, phasing out of restrictive quotas under the Agreement on Textiles and Clothing, reduction of barriers and subsidies affecting agricultural trade and liberalisation in the services sectors. However, there are a number of related difficulties facing developing countries in major markets, particularly tariff peaks, preference erosion, tariff escalation and the abuse of anti-dumping measures and countervailing duties. Further trade liberalisation should be undertaken from a development perspective. Demands for concessions from developing countries over and beyond what is provided for in the Uruguay Round Agreements would adversely affect the ability of developing countries to manage their smooth integration into the world trading system.
16. Appropriate macroeconomic frameworks and infrastructures will be necessary for developing countries to respond to market access changes created by the Uruguay Round. Capacity building will therefore play a crucial role. Developing countries efforts in this area should be complemented by technical assistance from both the trade and financial institutions as well as

bilaterally and should focus on human resources development, institutional building, strengthening of the private sector, especially the small and medium enterprises.

17. An important challenge for developing countries is that of actively participating in the multilateral trading system to exercise and safeguard their rights, promote their trade and development interests and ensure that these are taken into account in the evolving and future international trade agenda.
18. The credibility of the multilateral system would be strengthened by universality of membership of WTO. Accession to the WTO remains a challenge to some countries the achievement of which could enhance the collective impact of developing countries within the international trading system. Subject to compliance with WTO rules, examination of applications for membership should be accelerated in the working parties in view of the impact of global membership both within national economies and on the international trading order. In this regard, there should be flexible consideration towards applications for accession by developing countries and technical assistance should be given upon request, to the countries concerned in order to facilitate the process.
19. The experience of the WTO during its first two years of existence clearly defines the need for the effective implementation of existing agreements for the consolidation of the multilateral trading system. At the same time this experience has brought to the fore considerable pressures and difficulties for developing countries. Institutional and other requirements like meeting notification obligations, the changing of domestic laws, are proving a complex and difficult task.
20. Interest in regional trading arrangements continues unabated. On one hand, there are concerns that these arrangements could result in trade distortions and polarisation into exclusive economic zones. On the other hand, and for developing countries in particular, such arrangements could create an enabling environment for the development of competitive industries and new export markets, strengthen their economies and increase their integration and participation in international trade. The WTO has established a mechanism to examine and monitor the evolving relationship between regional trading arrangements and the multilateral trading system. It is vital that the supremacy of the multilateral trading principles and rules should be upheld and at the same time ensure that the benefits and necessity of regional cooperation be recognised. Emphasis should hence be placed on consistency and complementarity between the two processes.
21. The Generalised System of Preferences (GSP) continues to be important for developing countries in expanding trade and investment. The erosion of preferences and graduation clauses are issues of serious concern to developing countries. Schemes under GSP should be renewed and adjusted to ensure meaningful emergence of preferences, expanded product coverage to include products of export interest to developing countries, and liberalisation of non-tariff measures associated with GSP.
22. The ninth session of UNCTAD agreed on far-reaching proposals to ensure that developing countries face the challenges and seize the opportunities of the international trading system. We welcome these proposals whose faithful implementation is in the interest of both developed and developing countries, and the positive reassertion of UNCTAD's analytical and

consensus-building role in trade and development issues. It is also in the interest of all countries that a mutually beneficial trading system continue to develop through further consolidation and the strengthening of the rules-based system of the WTO. Our countries will shoulder their responsibilities to achieve these objectives and call on our developed country partners to do their part.

C. WORLD TRADE AGENDA

23. The forthcoming first WTO Ministerial Conference, to be held in Singapore, offers an opportunity to take stock of the implementation of Uruguay Round Agreements, the direction of the multilateral trading system and its contribution to ultimate objectives of growth and development. Clearly the most overriding task before the Ministers will be a review of the implementation of the Uruguay Round agreements since the entry into force of the WTO in January 1995. Such a review should identify, on one hand progress that has been made and on the other, shortcomings that will require renewed and concerted effort with a view to stimulating implementation in areas of export interest to developing countries. On the basis of the prevailing situation it is reasonable to assume that this issue alone will occupy a considerable part of the focus of the Ministers.
24. Compliance with notification requirements of the Uruguay Round Agreements is essential for the functioning of the multilateral trading system. It is on this basis that our countries can assess whether other members live up to their commitments which impact on our countries ability to benefit from the results of the Round. However, the fulfilment of WTO notification requirements has become a burdensome task particularly for some developing countries. The enormous amount of notifications to be presented and the doubts on how to comply with such requirements has increased the difficulties for developing countries to benefit from the results of the Round.
25. The Singapore Ministerial meeting of the WTO should in its review address issues of increased market access for developing countries, for example in the area of textiles and clothing, agriculture, footwear and leather goods, tropical products, manufactures, etc. Ministers should also review the increased use of trade policy instruments as trade barriers such as excessive use of transitional safeguards and proliferation of anti-dumping actions by some developed countries.
26. It will be important for the Ministers to assess the respect for, and the implementation of, commitments in the various WTO agreements on market access liberalisation and trade rules. Appropriate emphasis should be put on the need to strengthen the capacity of developing countries to benefit from trade in services package of the Uruguay Round and to participate in negotiations on further liberalisation in this area.
27. It has been recognised that during the reform program leading to greater liberalisation of trade in agriculture, Least Developing Countries (LDCs) and net food-importing developing countries may experience negative effects in terms of the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs. The Marrakech Ministerial decision in this regard should be effectively and speedily implemented.

28. The dispute settlement mechanism of the WTO is a fundamental guarantor of the survival and well-being of the multilateral trading system. The trend by both developed and developing country members to have recourse to the multilateral dispute settlement is welcome. The role of the Dispute Settlement Body (DSB) will be strengthened by prompt response to requests from members for the treatment of disputes and monitoring prompt compliance with its recommendations. On the other hand, the Dispute Settlement Understanding (DSU) will be weakened by unilateral measures. Thus far, the DSB has functioned in a manner that strengthens the codified rules, and promotes the progressive development of international trade law.
29. In addressing the built-in agenda, the WTO should adhere to the time-tables set in the Uruguay Round Agreements. Attempts to advance and reopen issues only just painstakingly settled will call into question the credibility of the WTO. The pursuit of the built-in agenda should include areas of export interest to developing countries. Developing countries are hard put and need time to absorb and adjust to the vast set of rules and instruments of WTO. WTO also requires time to strengthen its monitoring mechanisms and the functioning of its dispute settlement body. A comprehensive and balanced preparatory work for further liberalisation of trade in agriculture should be undertaken after the Singapore Ministerial Conference.
30. Trade and environment policies should reinforce one another and be made mutually supportive in order to attain the goal of sustainable development. It needs to be recognised that linkages between trade and environment are complex. Trade is not the primary cause of environmental problems. Linkages requiring further examination include the relationship between the provisions of Multilateral Trade System (MTS) and Multilateral Environmental Agreements (MEAs), and the effect of environmental measures on the market access of developing countries. It should be recognised that environmental standards should reflect the developmental context (Rio principle 11), avoid the establishment of disguised protectionist measures with environmental justifications (Rio principle 12) and that in addressing common environmental problems there are differentiated responsibilities. In suggesting effective approaches to address environmental problems, consideration should be given to the transfer of environmentally sound technologies and products to developing countries on favourable, non-commercial and equitable terms. Great importance is given to the removal of all trade restrictions and distortions having a negative effect on the environment. In several areas, further study and empirical work are required in order to clarify trade and environment linkages.
31. Developing countries have been carrying out trade and macroeconomic reforms aiming at sustained economic growth. Their efforts can be impeded by the use of unilateral actions by major economies in particular those with extraterritorial effects. Such actions pose a danger for the multilateral trading system and the development prospects for our countries. Furthermore the linkage of issues to trade and the threat to use trade measures to achieve domestic objectives poses a danger for the multilateral trading system and the trade prospects for our countries.
32. A growing and diverse number of issues have been proposed for discussion and placement on the agenda of the WTO. Most of these issues are complex. Member States have taken divergent positions on the appropriateness of the proposed introduction of these issues at the

WTO. Some consider the proposed new issues as presenting risks of overload and controversy for the trading system whereas others deem the issues as appropriate, strengthening and increasing the potential benefits of the multilateral system. Having regard for the divergencies, it is necessary to first thoroughly review and build consensus on the proposed new and other issues outside a contractual framework. The review should be based on their trade-relatedness, the appropriateness of the WTO as a forum for discussions, the extent to which the issues either strengthen or weaken the MTS and affect the comparative advantage of developing countries and competitive advantage of their firms.

33. The trade and investment relationship is of a multi-faceted nature encompassing *inter alia* issues of technology transfer, industrialisation and national development objectives. It is necessary to lay the ground for consensus building in a forum such as UNCTAD to determine the implications for developing countries and arrive at a consensus before embarking on rule-making in any forum.
34. Another issue is the development of multilateral competition policies. Considerable work has been going on, especially in UNCTAD, on the linkage between trade and competition. There is therefore a basis for further analytical work and clarification of this interface in preparation for negotiating a possible multilateral instrument.
35. The question of the relationship between trade and internationally recognised core labour standards has recurrently been mentioned as a new issue to be included within the world trade agenda. The issue clearly falls within the mandate and specific competence of the International Labour Organisation (ILO).
36. The overall trading and developmental prospects of developing countries are also linked to "coherence" in the formulation and implementation of monetary, financial and trade policies. National policies and decisions on these areas affect policies and economic performance of other nations. Developing countries in particular, remain vulnerable to external economic developments. These developments have serious implications for their trade, Balance of Payments (BOPs) debt servicing, investment flows, sustainable growth and development. The Ministerial Declaration in Marrakech on the issue of global coherence was in recognition of the importance of multilateral action on this front. There is room for an initiative to propel forward work in this area and the Singapore conference provides Ministers with such an opportunity.

D. PROMOTING SOUTH-SOUTH COOPERATION

37. UNCTAD IX aptly stated that "no-one can do for us what we will not do for ourselves". The primary responsibility for the development and integration of our countries into the global trading system rests with ourselves. Cooperation among developing countries is therefore an important element in the chain of the necessary conditions for our countries to maximally gain from the trading opportunities created by domestic reform, globalisation and liberalisation and regional trading arrangements. The economic success of some developing countries as well as the emergence of dynamic regional groupings of developing countries could be a source of impetus to South-South cooperation.

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38. Some developing countries have achieved significant regional cooperation in trade, investment and other economic areas with substantial and positive changes in their production capacities, international competitiveness and investment attractiveness. These regions represent not only positive experiences from which other countries can benefit but also immense potential for increased cooperation with other developing countries. Within the framework of the South-South cooperation, those developing countries which are in a position to do so, would be willing to share experiences and to offer technical assistance to the LDCs in order to increase their capacities in meeting the commitments of the Uruguay Round and further, to enhance their capabilities to utilise more fully the benefits from the Round.
39. The international trading system presents fresh challenges and opportunities for cooperation among developing countries. Due to intensifying economic convergence developed and developing countries increasingly share common concerns in certain trade issues. In other areas however the interests of the two groups are distinctly divergent. Consultation and coordination among developing countries could foster their solidarity and mutual support during trade negotiations to ensure that their common and diverse trade and development interests are taken into account.
40. The Global System of Trade Preferences (GSTP) remains the most important and valid mechanism for the realisation of increased trade among developing countries. That its impact on promoting South-South cooperation has remained marginal is a matter of concern. The strengthening of the GSTP following the conclusion of the second round of negotiations is necessary to enhance its effectiveness, coverage and membership, including expanded preference to least developed countries.
41. The Group of 15 has taken some significant initiatives to promote cooperation among developing countries, including trade, investment, information exchange and business development. The operationalisation of the Committee on Investment Trade and Technology (CITT) should deepen and intensify this cooperation when our countries begin implementing the prioritised work programme of the committee.
42. This work programme is aimed at increasing the capacity of developing countries to cope with the challenges of the new trading environment. It will also enhance the work of other related arrangements for South-South cooperation, particularly the Business and Investment Forum (BIF).
43. Priorities will focus on the improvement of sources and resources for the dissemination of business information, including information networks, trade information inventories; trade promotion, including trade fairs and business exhibitions; technology cooperation; investment promotion; and policy consultations on trade liberalisation and negotiations. These are also areas with considerable scope for technical cooperation among our countries.
44. We welcome and accept the offer made by the Government of Malaysia to host our Seventh Summit Meeting in 1997.
45. We thank the people and Government of Zimbabwe for their hospitality and the excellent arrangements made for the holding of the Sixth Summit Meeting of the Group of Fifteen.
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